

**M A N I T O B A**

**THE PUBLIC UTILITIES BOARD ACT**

**THE MANITOBA PUBLIC INSURANCE ACT**

**THE CROWN CORPORATIONS PUBLIC  
REVIEW AND ACCOUNTABILITY ACT**

Order No. 91/11

July 12, 2011

Before: Graham Lane, CA, Chairman  
Leonard Evans, LL.D., Member

**PROCEDURAL ORDER – MANITOBA PUBLIC INSURANCE CORPORATION:  
TIMETABLE FOR A PUBLIC HEARING (2012/13 RATES AND PREMIUMS  
FOR COMPULSORY DRIVER AND VEHICLE INSURANCE) AND APPROVAL  
OF INTERVENERS**

## **Summary**

By this Order, the Public Utilities Board of Manitoba (Board) accepts interveners to the Board's public hearing of the application of Manitoba Public Insurance Corporation (MPI) for approval of base rates and premiums for compulsory driver and vehicle insurance (the new rates are to take effect March 1, 2012).

This Order also provides interveners with direction pertaining to the proceeding, and establishes a timetable.

## **Introduction**

Subsequent to a public notice, the Board held a Pre-Hearing Conference (PHC) at its offices in Winnipeg on Wednesday, June 29, 2011, for the purposes of:

- (a) considering applications from prospective interveners and matters related thereto; and
- (b) establishing a timetable for the hearing.

This Order arises from the PHC.

The following exhibits were entered into the record of the proceeding:

1. Notice of Public Hearing and PHC, dated June 15, 2011;
2. the Board's Rules of Practice and Procedure (Rules); and
3. the hearing timetable.

Parties seeking Intervener status were asked to:

- i. indicate their constituency and interests;
- ii. outline the areas of MPI's application that they intended to test;
- iii. provide reasons for requesting Intervener status;

- iv. specify their plans to call evidence/witnesses; and
- v. indicate interest with respect to seeking an award of costs, and, if interest was expressed, provide a draft budget.

The Board advised prospective interveners that it intends to apply the criteria set out in the Board's Rules in decisions with respect to the awarding of costs, such decisions being at the sole discretion of the Board.

The following parties applied for Intervener status:

1. Consumers' Association of Canada (Manitoba) Inc. (CAC), represented in person at the PHC by its counsel, Mr. Byron Williams and Ms. Marie MacLellan;
2. Coalition of Manitoba Motorcycle Groups (CMMG), represented in person at the PHC by its counsel, Mr. Raymond Oakes;
3. Manitoba Used Car Dealers Association (MUCDA), represented in person at the PHC by Mr. Nick Roberts;
4. Canadian Automobile Association Manitoba (CAA), represented in person at the PHC by Mr. Jerry Kruk; and
5. Insurance Brokers' Association of Manitoba, represented in person at the PHC by Mr. David Schioler.

MPI was represented by Ms. Kathy Kalinowsky (Counsel), Ms. Marilyn McLaren (President & Chief Executive Officer) and Mr. Donald Palmer (Vice-President, Corporate Finance and Chief Financial Officer).

***Applications for Intervener Status***

1. CAC:

CAC indicated its intention to test the application, in order to consider whether the proposed rates are just and reasonable, and, in particular, to consider:

- I. The reasonableness of MPI's forecasts as they may affect revenue requirements;
- II. The reasonableness/prudence of projected costs as they may affect revenue requirements;
- III. Allocation of revenues and costs as between and within classes of consumers;
- IV. The prudence and reasonableness of base economic increases budgeted for compensation (45% above inflation rate targeted by BoC);
- V. The prudence and reasonableness of ongoing growth of FTEs;
- VI. Assignment and allocation of costs between lines of businesses as they may affect revenue requirements;
- VII. Methodology and assumptions in the modeling of claims for rate-setting;
- VIII. IT Optimization Fund, including its reasonableness and cost allocation;
- IX. Road safety and loss prevention;
- X. Business process review, including costs, benefits, and PIPP;
- XI. IFRS conversion, including costs and rate-setting implications;
- XII. Rate Stabilization Reserve, including methodology and rebates;
- XIII. Investments, including composition, as they may affect rate-setting; and

#### XIV. Risk Management.

CAC advised that it intends to appear throughout the hearing, participate in the testing of evidence, and present final argument. CAC also advised that it has yet to determine if it will call a witness for the hearing. In particular, CAC advised that it may call an actuarial witness to comment on MPI's reserving practices since 2005, and to propose best practices for the treatment of actuarial information on a going forward basis.

CAC will advise the Board with respect to this witness before August, and present a revised budget. CAC also reported that it has not determined whether it will be tendering an expert report, and that it will advise the Board on this matter in due course.

CAC advised that it will seek a cost award, and provided an intervention budget providing a range of \$117,850.00 to \$132,290.00 (plus disbursements).

#### 2. CMMG:

CMMG reported that its focus would be:

- (a) subsidization of the interprovincial trucking industry by motorcyclists;
- (b) the component of the motorcycle premium that relates to bodily injury, in relation to other motorists and their premiums; and
- (c) road safety, including the allocation of wildlife related claims costs arising from last year's Order.

CMMG advised that it may seek to call as a witness a representative of the actuarial firm Dion Durell. CMMG advised that should it decide to call this witness, the Board will be advised as soon as possible, and an amended cost application summary be filed.

CMMG advised of an intention to seek an award of costs, and submitted a provisional budget of \$20,850.00 plus taxes (a budget that was indicated to be subject to revision, particularly with respect to the potential of calling a witness).

3. MUCDA:

MUCDA advised that it will focus on rates pertaining to dealer plates, and, as well, on issues relating to MPI's arbitration practices and procedures.

MUCDA does not intend to present a witness nor seek a costs award.

4. CAA:

CAA reported that while its primary intention is to maintain a watching brief throughout the hearing, it may ask more questions of MPI than it has in past proceedings. CAA advised that it would not apply for a costs award.

5. IBAM:

IBAM advised that it is an interested party to the hearing, as it acts as the main service delivery vehicle for MPI's insurance products.

IBAM reserved the right to call a witness, but advised that it would not seek a costs award.

**MPI's Position**

MPI accepted the granting of Intervener status to all of the applicants.

**Board Comments**

The Chairman made comments with respect to a number of issues that have arisen within past GRA and related proceedings, this to provide background context for the proceeding and to allow the parties to, through the hearing, be as useful as possible in assisting the Board in understanding the issues.

The Chairman stressed that openness and transparency are of the utmost importance to the Board and its process, and noted that, on the face of the application, the Corporation appears to obtain its policy direction largely from the Government of Manitoba. As well, a significant issue to be

thoroughly reviewed with the GRA proceeding will be the Corporation's forecasting, both past and future.

### **Board Findings**

The Board will grant intervener status to all applying parties.

Regulatory efficiency is a continuing objective for the Board, and all reasonable efforts should be made by all parties to the proceeding to restrain costs (in the interest of motorists; costs awards form a component of rates).

As in the past, the Board will expect a high degree of co-operation amongst interveners and with Board Counsel, again to avoid duplication and restrain regulatory costs.

### **Timetable**

It was apparent to the Board at the PHC that a consensus was reached on a timetable accommodating all parties.

The final version of the timetable is attached hereto as Schedule "A". Attached hereto as Schedule "B" are the procedures to be followed.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website, [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca)

**IT IS THEREFORE ORDERED THAT:**

1. Schedule A, as attached, shall be the timetable for the orderly exchange of information by the participating parties.
2. Schedule B, as attached, shall apply with respect to the hearing of the MPI Application.
3. Interveners to the hearing, subject to the filing of updated budgets, shall be:
  - (a) Canadian Automobile Association;
  - (b) Coalition of Manitoba Motorcycles Groups Inc.;
  - (c) Consumers' Association of Canada (Manitoba) Inc.;
  - (d) Manitoba Used Car Dealers Association; and
  - (e) Insurance Brokers' Association of Manitoba.

THE PUBLIC UTILITIES BOARD

"GRAHAM LANE, C.A."  
Chairman

"H. SINGH"  
Secretary

Certified a true copy of Order No. 91/11 issued by  
The Public Utilities Board

Secretary

**SCHEDULE "A"**

	<b>ITEM</b>	<b>2011 DATES</b>	<b>DAY OF WEEK</b>
1.	Application filed and served	June 17	Friday
2.	Notice of Public hearing to be published	June 25	Saturday
3. a)	Pre-hearing Conference	June 29	Wednesday
b)	Interveners complete Registration	June 30	Thursday
c)	Settle Hearing Procedure and exchange of information timetable	June 30	Thursday
d)	Discuss possibility of joint intervention	June 30	Thursday
4. a)	Board to circulate list of Interveners, complete timetable to Interveners and applicant	July 8	Friday
b)	Last day to file as an Intervener	July 8	Friday
5.	MPI to be in receipt of first round information requests	July 11	Monday
6.	MPI to provide response to first round information requests	August 8	Monday
7.	MPI to be in receipt of second round information requests	August 19	Friday
8.	MPI to publish reminder notice and any amendments to application	August 27	Saturday
9. a)	MPI to file responses to second round information requests	September 12	Monday
b)	MPI to file and serve any further amendments to application, if required	September 12	Monday
10. a)	Interveners to file pre-filed testimony to all parties	September 19	Monday
b)	Parties to file any motions	September 19	Monday
11.	Interveners to be in receipt of information requests from all parties	September 23	Friday
12.	Board to hear all motions	September 23	Friday
13.	Interveners to provide responses to all information requests	September 29	Thursday
14.	Board decision on motions, meeting among Counsel, if required	September 30	Friday
15.	MPI to file rebuttal evidence	September 30	Friday
16.	Hearing commences	October 4	Tuesday

<b>Note:</b>	1. Anticipated Hearing dates October 4-5, 11-13, 18-20, 25-27
	2. Hearings will commence at 9:30 a.m. each day

## SCHEDULE "B"

### PROCEDURES TO BE FOLLOWED AT THE MANITOBA PUBLIC INSURANCE CORPORATION 2012 RATE APPLICATION

1. Hearing and Rural Meetings:
  - (a) Winnipeg hearing will be held at the Board's office, 4<sup>th</sup> Floor, 330 Portage Avenue, Winnipeg, commencing on October 4, 2011 at 9:30 a.m. and continuing thereafter as necessary.
  - (b) Rural Meetings (if necessary) – time, location and place to be identified.
2. Hearing Times Each Day: 9:30 a.m. to 12:00 Noon  
1:15 p.m. to 4:00 p.m.  
(amendments may be made by the Board at the hearing)
3. Assigned Sitings: Presenters will be heard commencing at 1:15 p.m. Wednesday, October 5, 2011 and at 7:00 p.m. that day if necessary.
4. Opening Statements by Board Counsel, by Counsel for MPI and other Counsel or representatives of registered interveners.
5.
  - (a) MPI to file their application and supporting evidence.
  - (b) MPI to introduce witnesses. Board Counsel and interveners to cross-examine the Corporation's witnesses (order to be determined).
6.
  - (a) Leading of testimony by witnesses for interveners, if any, will be in alphabetical order by name of interveners and updated as necessary.
  - (b) Witnesses to be available for cross-examination by all parties following each presentation.
7. All interrogatories are to be filed and responded to using the prefixes as assigned by the Board when interveners are registered (set out in the body of the Order). The party requesting information is to use firstly their prefix followed by the prefix of the party being asked e.g. PUB/MPI, etc. Interrogatories are to be numbered sequentially through 1st and 2nd rounds, e.g. PUB/MPI 1-3, PUB/MPI 2-7.
8. All pre-filed evidentiary material to be filed at the commencement of the hearing by Board Counsel using assigned prefixes.

9. All witnesses to highlight their evidence.
10. All witnesses to be sworn or affirmed.
11. Daily transcripts will be available. Parties to make arrangements with the Reporter. Transcripts can be found at [www.pub.gov.mb.ca](http://www.pub.gov.mb.ca) at no charge.
12. It is the Board's request that all motions be dealt with pursuant to the Board's Timetable.
13. The Board's Rules of Practice and Procedure (available on the Board's website) dealing with the Awarding of Costs will apply to all matters before the Board.
14. The Board indicates its willingness to be available for any problems that may arise during the exchange of information at any time, such time to be arranged through Board Counsel.
15. Seven (7) paper copies of material are to be submitted to the Board's offices and three (3) copies are to be submitted to Board Counsel at the following address:  
  
Attention: Candace Grammond, Pitblado, 2500 – 360 Main Street, Winnipeg, MB  
R3C 4H6.
16. Electronic copies of all material including the evidence of parties, are required to be submitted to the Board's e-mail address: [publicutilities@gov.mb.ca](mailto:publicutilities@gov.mb.ca). Where schedules or other attachments accompany an electronic file, that filing must be discrete and include only the item and schedules to which each refers. The electronic files shall be named in accordance with their parties prefix as per #7. All electronic filings shall be in Adobe Acrobat format, with protection securities allowing printing, content copying, content copying for accessibility and page extraction.